

Foot in the door

Organization helps low-income families get their first opportunity at clean, affordable housing

By TYLER CHRISTENSEN
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After years of renting, Tyson and Stacy Stenzel of Missoula became first-time homeowners thanks in large part to the Montana Board of Housing, a little-known organization that helps low-income families afford their own homes.

In May, the young couple moved into a new two-bedroom, one-and-a-half bath townhouse, complete with a two-car garage -- a home they purchased for only \$114,000. The townhouse is one of 25 units of affordable housing in the Clark Fork Commons, a North Missoula Community Development Corporation project a stone's throw from the Clark Fork River.

The Stenzels love their new home. It's a lot nicer than many of the places they've rented, they said.

"It's new, it's clean and it's affordable," Stacy said.

But what the Stenzels like best about being homeowners is that, finally, they can own a dog. As soon as the couple moved they adopted 9-month-old Truman into the family, which also includes two cats.

"He's in the river three times a day," Tyson said as the golden retriever bounced into the water in pursuit of a ball.

Like many, the Stenzels had never heard of the Montana Board of Housing. Until, that is, the organization approved their \$111,000 home loan at a below-market, fixed rate of 5 percent. That meant they only had to scrape together \$3,000 for a down payment.

"I didn't really realize they existed," Stacy said. "Before we really started to get into it, I didn't realize how much help there was out there."

For years, the Stenzels thought that renting was their only option, given their incomes. It's all but impossible to find a home in Missoula for less than \$200,000 and even though they both work, they don't earn enough to cover a loan that large, Tyson explained:

"I don't think we would have qualified for a traditional loan."

Then, a friend told them about the Clark Fork Commons, a year-old housing development on Cedar Street that accepts only residents earning less than 80 percent of the median

area income. According to the Department of Housing and Urban Development's 2006 figures for Missoula County, that's \$30,250 for singles and \$34,550 for households of two.

The Stenzels met this requirement, but they still had to be approved for a loan and somehow navigate the maze of paperwork all too familiar to most homeowners.

"There was so much paperwork involved in this, it's kind of a blur," Tyson said.

Fortunately, they had a friend in Colleen Cebula, manager of the real estate department at First Interstate Bank in Missoula.

"She was awesome," he said. "She kind of made us feel like we were her only customers."

Any prospective home buyer can go to his bank and request information about the Montana Board of Housing loan programs, but more often it's lenders who bring the organization to their clients' attention.

The MBOH is a self-supporting state agency created by the Montana Housing Act of 1975. Its administration is attached to the Montana Department of Commerce, but its funding is provided exclusively through the private sector.

The board issues tax-exempt bonds, administers federal housing programs and works in partnership with other housing providers in Montana in order to provide financing options for state residents.

Through its Homeownership Program, it also provides low-interest loans to first-time home-buyers in an effort to give the state's homeowners a boost. Montana's homeownership rate is about 70 percent, which puts it at 33rd in the nation for its percentage of homeowners, according to the U.S. Census Bureau.

In nearly 30 years, the MBOH has helped 40,000 Montana families and loaned nearly \$2.5 billion. More than 4,000 of these families and \$274 million in loans were in Missoula County.

In fact, the board finances quite a few loans in the Missoula area because housing prices here are increasing at a much steeper rate than local incomes, said executive director Bruce Brensdal.

"In pretty much all of western Montana, housing costs have just shot up and it's becoming increasingly hard to afford to not only buy a house but even rent an apartment," he said. "Missoula's a real classic example."

The board understands that families need secure, comfortable and safe housing in order to lead secure, comfortable and safe lives, Brensdal said. It strives to expand the array of

affordable housing options because not every type of housing is right for every family, he added.

And recently, the MBOH announced it would eliminate an anxiety-provoking part of the home-buying process by pledging to reimburse any homeowners in its program who pay a “recapture tax.”

“We just wanted to take that out of the equation. It takes a piece of the confusion out,” Brensdal said.

The “recapture tax” is a minimal tax collected by the Internal Revenue Service in order to ensure that authorized housing finance agencies, such as the Montana Board of Housing, help only their stated recipients: low- to moderate-income home-buyers.

The tax is only applied to MBOH homeowners who sell their home within nine years of the purchase date, exceed the program’s maximum income limit and exceed the sales price limitations. Thus, the tax is rarely applied: Each year only a handful of people are required to pay, and the amount rarely exceeds a few thousand dollars.

Nevertheless, it contributed to the home-buyer’s headache, Brensdal said.

“Out in the public it was a perceived barrier to our financing, I think,” he said. “We didn’t want that to be something that they even needed to consider.”

By eliminating the recapture tax obstacle for participants in its first-time homebuyer program, the MBOH hoped to make the process one step simpler and therefore relieve any anxiety that it might have been causing, Brensdal said.

“That’s great news,” said Roger Linhart, vice president and loan originator at Heritage Bank’s Missoula branch. “When (homeowners) go to sell their houses they’re not going to have this recapture tax hanging over them.”

Even if few people know about the Montana Board of Housing, the agency has a hand in maybe one in five residential buys, Linhart said. The promise of a reimbursement essentially means MBOH home-buyers will be facing a slightly more streamlined process, he said.

“It’s less snags for people, less hoops to jump through,” he said.

And the home-buying process shouldn’t be intimidating, said Terri Rider, a real estate loan officer at Mountain West Bank in Missoula. Rather, it should be exciting and fun.

She’s a big fan of the Montana Board of Housing’s programs, which can be packaged with other loan options, said Rider, who’s been involved in real estate for 30 years.

“I love doing those loans -- love, love, love them,” she said. “It just makes it so much easier. They really help with the market that we have now. It is a challenge finding a sale price that someone can afford.”

While the recapture tax was never a major concern, it always had the potential to be the straw that broke the camel’s back: that one last thing that pushed a client over the edge, she said.

College students with parents as co-signers, for example, would probably worry about having to pay that tax if they planned to move away upon graduation -- well before the nine-year period would elapse. They might also be facing student loan repayments. Even a few hundred dollars toward a possible recapture tax tends to loom large in the mind of someone earning an entry-level income.

Certainly, the Stenzels aren’t worrying about that recapture tax, even though they plan to sell their home in five years, they said.

Their place at Clark Fork Commons may not be their permanent home, Tyson said, but it’s a big first step in that direction.

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The Montana Board of Housing offers a variety of lending programs at below-market rates to fit the needs of qualified first-time borrowers. For more information, talk to your local lender or visit the organization’s Web site at http://www.housing.mt.gov/Hous_BOH_SF.asp